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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

REAL ESTATE ACTIVITY

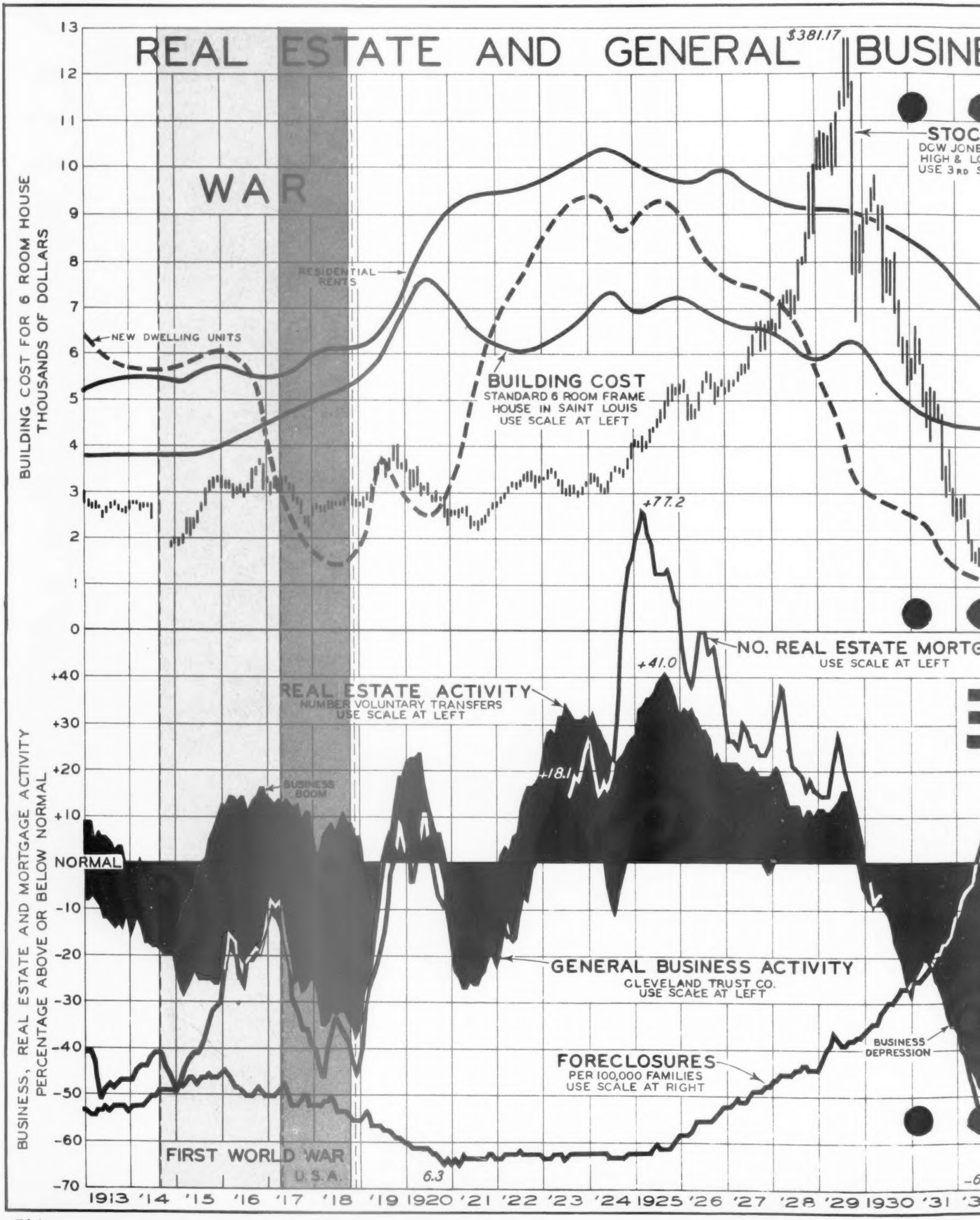
Real estate activity 's pulsebeat is still strong. For the fourth straight month since July (when it hit its lowest point since late 1945) the index has inched upward ever so slightly. The November reading of the index is 40.6 per cent above the long-term computed normal. In fact, the upward movement has been so small that it is best described as a sideward motion. We believe that real estate activity will continue to roll along on this plateau for the next several months before starting down once again. One of the chief sparks for the continuing boom is the accompanying high activity in residential construction which has increased wonderfully since the mid-year removal of controls.

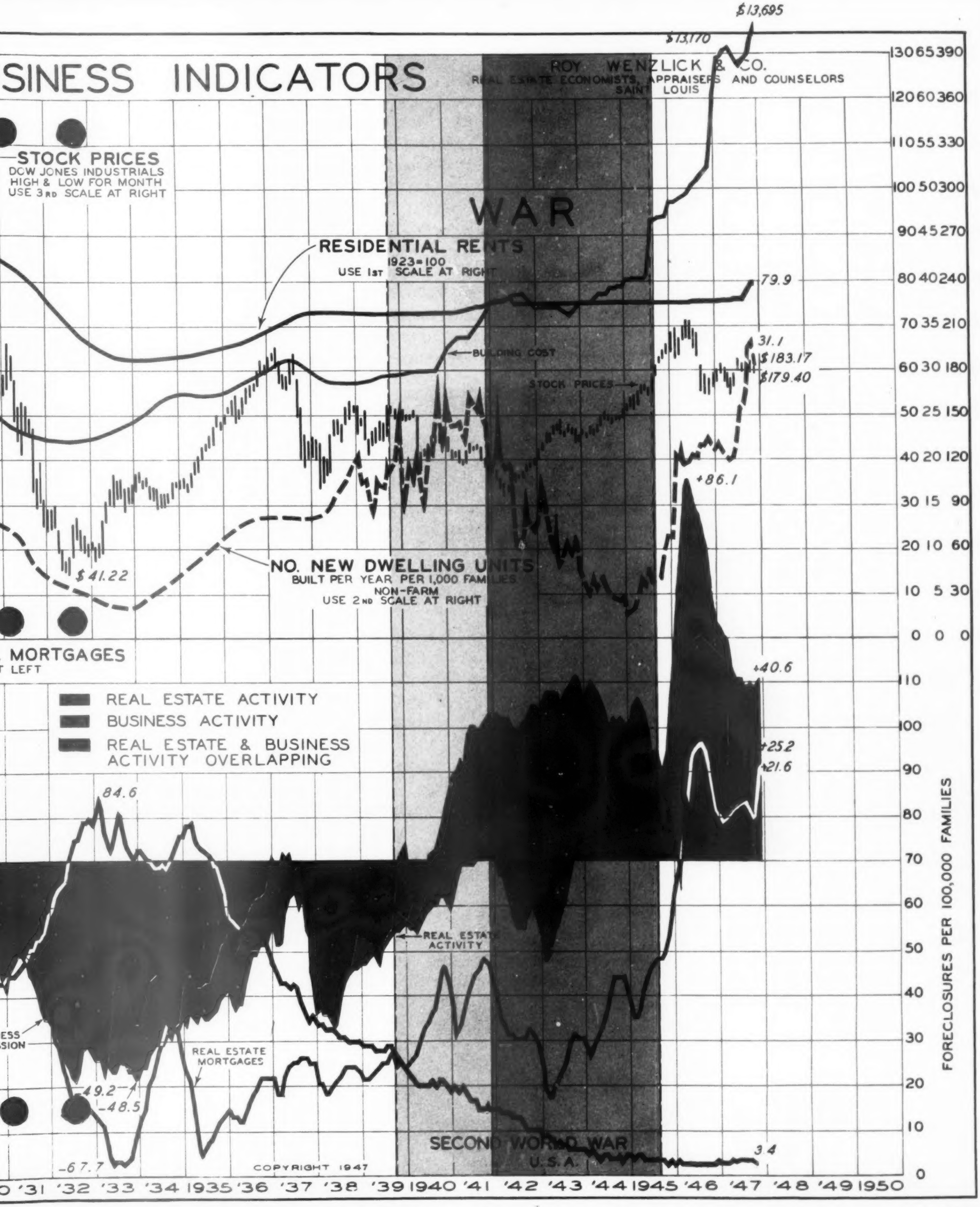
NEW CONSTRUCTION

Although the residential construction index dropped from 37.1 per thousand families in October to 31.1 per thousand families in November, it is still higher than at any time since 1925. In June, just before controls were removed, the index stood at 25.9 units per thousand families. The October high of 37.1 indicated an increase of 11.2 units per thousand families, or an increase of 43 per cent in the rate new units were started. Thus it seems that the various so-called "reactionary" groups in the country which fought so bitterly against controls were more than justified in their contention that the government was hindering rather than assisting the housing program.

We recently completed our quarterly survey of 140 metropolitan areas throughout the country, in which we determined the number of housing units put under permit during the third quarter of 1947. On the basis of the number of units per 10,000 families, Miami, Florida, leads the other areas with a rate of 181. The runners up are: Corpus Christi, 100 units per 10,000 families; Austin, 98 units; Jacksonville and Tampa, 76 units each; Fort Worth, 74 units; Jackson, Mississippi, 69 units; Dallas, Texas, and Greensboro, North Carolina, 64 units; Montgomery, Alabama, 62 units; Los Angeles, 58 units; and Amarillo, 55 units. These figures are for the third quarter of this year only, and are based on the number of units per 10,000 families. Notice how this entire list is made up of southern and western cities.

On the basis of the total number of housing units put under permit, the Los Angeles area led all others during the third quarter of 1947, with a total of 18,513 units. Others were: New York, 8068; Detroit, 6588; Miami, 4739; Chicago, 3880; Philadelphia, 3304; and San Francisco, 3271. Federally subsidized slum clearance and war housing projects have been excluded from both sets of figures.


REAL ESTATE AND GENERAL BUSINE
$381.17
WAR
STOC
DOW JONE
HIGH & LO
USE 3RD S
BUILDING COST FOR 6 ROOM HOUSE
THOUSANDS OF DOLLARS
RESIDENTIAL RENTS
NEW DWELLING UNITS
BUILDING COST
STANDARD 6 ROOM FRAME
HOUSE IN SAINT LOUIS
USE SCALE AT LEFT
+77.2
+41.0
NO. REAL ESTATE MORTG
USE SCALE AT LEFT
REAL ESTATE ACTIVITY
NUMBER VOLUNTARY TRANSFERS
USE SCALE AT LEFT
+18.1
BUSINESS BOOM
NORMAL
BUSINESS, REAL ESTATE AND MORTGAGE ACTIVITY
PERCENTAGE ABOVE OR BELOW NORMAL
GENERAL BUSINESS ACTIVITY
CLEVELAND TRUST CO.
USE SCALE AT LEFT
BUSINESS DEPRESSION
FORECLOSURES
PER 100,000 FAMILIES
USE SCALE AT RIGHT
FIRST WORLD WAR
U.S.A.
6.3
13
12
11
10
9
8
7
6
5
4
3
2
1
0
+40
+30
+20
+10
-10
-20
-30
-40
-50
-60
-70
1913 '14 '15 '16 '17 '18 '19 1920 '21 '22 '23 '24 1925 '26 '27 '28 '29 1930 '31 '3


SINESS INDICATORS
ROY WENZLICK & CO.
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS
SAINT LOUIS
STOCK PRICES
DOW JONES INDUSTRIALS
HIGH & LOW FOR MONTH
USE 3RD SCALE AT RIGHT
WAR
RESIDENTIAL RENTS
1923=100
USE 1ST SCALE AT RIGHT
BUILDING COST
STOCK PRICES
NO. NEW DWELLING UNITS
BUILT PER YEAR PER 1,000 FAMILIES
NON-FARM
USE 2ND SCALE AT RIGHT
$13,695
$13,170
79.9
31.1
$183.17
$179.40
+86.1
$41.22
MORTGAGES
T LEFT
REAL ESTATE ACTIVITY
BUSINESS ACTIVITY
REAL ESTATE & BUSINESS ACTIVITY OVERLAPPING
+40.6
+25.2
+21.6
84.6
REAL ESTATE ACTIVITY
REAL ESTATE MORTGAGES
-49.2
-48.5
-67.7
3.4
SECOND WORLD WAR
U.S.A.
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FORECLOSURES PER 100,000 FAMILIES
130 65 390
120 60 360
110 55 330
100 50 300
90 45 270
80 40 240
70 35 210
60 30 180
50 25 150
40 20 120
30 15 90
20 10 60
10 5 30
0 0 0
110
100
90
80
70
60
50
40
30
20
10
0
'31 '32 '33 '34 1935 '36 '37 '38 '39 1940 '41 '42 '43 '44 1945 '46 '47 '48 '49 1950

INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)

30-UNIT REINFORCED CONCRETE APARTMENT
Content: 303,534 cubic feet
21,372 square feet
Cost 1939: $135,000
(44.5¢ per cubic foot; $ 6.33 per square foot)
Cost today: $274,015
(90.6¢ per cubic foot; $12.86 per square foot)
INCREASE OVER 1939 = 103%

18-FAMILY BRICK APARTMENT (FRAME INTERIOR)
Content: 168,385 cubic feet
13,260 square feet
Cost 1939: $ 60,300
(35.8¢ per cubic foot; $4.55 per square foot)
Cost today: $127,405
(75.7¢ per cubic foot; $9.61 per square foot)
INCREASE OVER 1939 = 111.1%

SIX-ROOM BRICK HOUSE WITH FRAME INTERIOR
Content: 23,100 cubic feet
1,520 square feet
Cost 1939: $ 6,400
(27.7¢ per cubic foot; $4.21 per square foot)
Cost today: $13,454
(58.3¢ per cubic foot; $8.85 per square foot)
INCREASE OVER 1939 = 110%

SIX-ROOM FRAME HOUSE
Content: 25,376 cubic feet
1,650 square feet
Cost 1939: $ 5,894
(23.2¢ per cubic foot; $3.57 per square foot)
Cost today: $13,695
(54.0¢ per cubic foot; $8.30 per square foot)
INCREASE OVER 1939 = 132.4%

FIVE-ROOM BRICK VENEER HOUSE
Content: 23,913 cubic feet
1,165 square feet
Cost 1939: $ 5,440
(22.7¢ per cubic foot; $ 4.67 per square foot)
Cost today: $11,980
(50.1¢ per cubic foot; $10.28 per square foot)
INCREASE OVER 1939 = 120.1%

BUILDING COSTS

The cost of building the standard six-room frame house in St. Louis for December is $13,695, an increase of $41 over the November figure. Practically all of this increase was in lumber and millwork. One year ago the cost of building this house was $12,147, with an average increase in cost during the past year of $129 per month. The cost is now 132 per cent above the 1939 figure.

The cost of the five-room brick veneer bungalow is $11,980 for the month of December. This represents an increase of $35 over the November figure, $30 of which is in lumber and millwork. The cost of building this house in December 1946 was $10,799, with an increase during the past twelve months of $1181, or about $98 a month. In 1939 this building could have been built for $5442. The present cost is 120 per cent above this prewar figure.

The three other buildings upon which we keep construction costs are shown on page 516. These have likewise shown an increase in their construction costs.

In addition to the buildings on which we now publish cost data, we are preparing studies for publication on three other buildings, a one-story commercial, a California-type bungalow, and a small factory. Cost figures on all three of these buildings will be published shortly.

It seems to us that efficient building labor will be very hard to get during at least the first six months of 1948. A large number of commercial and industrial projects will be going forward in many cities during this period and will bid for this labor against the home builder. This question of labor efficiency is a very complex and well-nigh unmeasurable factor. In addition to a wide variance in the actual ability of individual workmen, there is the day-to-day change in attitude toward the job. The various restrictive practices of the building trades unions throughout the country also have a considerable effect upon worker efficiency. Finally, there is an additional "indirect" inefficiency forced on workers by spotty material deliveries. While we are continuing to work toward some sort of "inefficiency" index, about all we can say at present is that labor inefficiency is still considerable.

FORECLOSURES

No news is good news insofar as the foreclosure index is concerned. It still moves feebly along the bottom of the chart, although reports from a few cities indicate some rather weak activity. We cannot repeat too often that the foreclosure index is most vital, particularly when used in conjunction with the real estate activity index. Although it has been most docile for the past few years, it can (and will eventually) go on a terrific rampage. During the last real estate boom, which was a twin-peaked eruption, the foreclosure rate did not start upward until the last peak had been passed. There seems little likelihood of any perceptible increase in the foreclosure rate for the next six months on a national basis, but we urge our clients to keep an eagle eye on their local foreclosure situation.

REAL ESTATE MORTGAGE ACTIVITY

The real estate mortgage activity index has risen to the highest point of the year. It now stands at 21.6 per cent above the long-range computed normal. During 1946, when mortgage activity was high, it was prodded along mostly by the sale of old residences. Its recent spurt, however, has

been the result of the surge in new residential building. There is some evidence that the inflationary "wide open" lending program fostered by the FHA is meeting with resistance in Congress inasmuch as the recent request for a billion dollar increase in FHA's ceiling was trimmed to three-quarters of a billion dollars, with $250 million available at once and $500 million available at Mr. Truman's direction. Even so, this boost in the ceiling plus the surge of new building should keep the mortgage pot bubbling merrily through the first half of the new year.

RESIDENTIAL RENTS

The latest composite residential rent figures show the index at 79.9. Since the relaxation of rent control last summer, the majority of leases which have been filed with the Housing Expediter have been on apartment units. For this reason it seems that the small landlord has not been helped much by this measure. Of course, one thing that will never be known is just how many landlords boosted rents without giving a lease, simply because the tenant actually couldn't do much about it. Extension of rent control seems assured, but just what refinements will be made is only a guess.

If rent controls are retained throughout the life of the housing shortage, they will jeopardize the loans on new buildings although the rents of these buildings are not controlled. This is true because as the housing shortage begins to slacken, the "controlled rent" buildings will offer stiffer competition to the new buildings which are dependent on high rent to stay afloat. Thus instead of natural competition, which would be tough enough on buildings constructed at today's prices, the new buildings will be faced with the competition of unnaturally low rents.

GENERAL BUSINESS AND THE STOCK MARKET

Business activity has been very high throughout the year and will probably continue to be for at least the next six months. As most people guessed, both political parties are mortally afraid of doing anything to halt inflation for fear of bringing on something more than a "planned" recession. Of course, both parties are "against" inflation just as they're "against" sin, but so far about all that's been done is talk.

One factor seldom mentioned when appraising the general business situation is that the "break-even" point of many businesses has gone right on up with everything else. This being the case, even a small reduction in sales could put these businesses in the red.

While there is no assurance that the bear market in stocks is over, the inflationary outlook for at least the next six months makes some well-selected stocks better gambles than they have appeared to be during the past few months. While there is still a considerable possibility of further declines in the market, we think there is also a possibility of much higher levels some time in 1948. Neither can yet be described as a probability.